



ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778
EMAIL ADDRESS: CONTACTUS@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

Paul Matson
Director

MINUTES OF THE MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM INVESTMENT COMMITTEE

HELD ON

Monday, August 17, 2009
2:30 p.m.

The Investment Committee (IC) of the Arizona State Retirement System (ASRS) met at 3300 N. Central Avenue, 14th Floor Conference Room, Phoenix, Arizona 85012. Mr. Tom Connelly, Chair of the IC, called the meeting to order at 2:31 p.m., Arizona Time.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Thomas Connelly, Chair
Mr. Christopher Harris, Vice-chair
Mr. Lawrence Trachtenberg
Mr. James McLaughlin

A quorum was present.

2. Approval of the Minutes of the July 27, 2009, Regular Session IC Meeting

Mr. Gary Dokes, Chief Investment Officer recommended that the July 27, 2009 Minutes be expanded and resubmitted at the September 14 IC meeting for review and consideration for approval.

3. Presentation, Discussion, and Appropriate Action Regarding ASRS Daily Asset Allocation Report and Current Investment Management Division (IMD) House Views

Mr. Gary Dokes and Mr. Dave Underwood discussed the IMD's House Views: positive on fixed income spread product, neutral-to-positive on U.S. equities, and slightly negative on non-U.S. equities. Mr. Tom Connelly recommended that the IMD Investment House View exhibit be modified in more of a dashboard framework which denotes the market metrics used to evaluate the asset class and support the rationale for the asset class position house views.

Mr. Gary Dokes will work with staff to modify the House View exhibit and present at the September 14 IC meeting.

4. Presentation, Discussion, and Appropriate Action Regarding the ASRS Fixed Income Asset Class Review

Mr. Dokes presented the topic. Mr. Dokes, Mr. Al Alaimo, Fixed Income Portfolio Manager and Mr. Allan Martin, Lead Consultant (New England Pension Consultants), provided a "deep dive" review of ASRS' fixed income asset class review.

Mr. Martin and Mr. Alaimo talked about the fixed income market environment. Mr. Dokes talked about ASRS fixed income asset class/manager exposure and provided commentary on performance and positioning of ASRS' fixed income managers.

Mr. Martin provided NEPC's perspective on the managers and discussed the asset class takeaways in addition to other activities underway regarding ASRS fixed income asset class restructuring.

5. Presentation, Discussion, and Appropriate Action Regarding the ASRS Asset Allocation Study Part 2

Mr. Dokes introduced the agenda item and stated the objectives of this topic. NEPC presented their recommended themes for Asset Allocation policy changes for discussion and consideration.

Discussion ensued regarding inflation-linked assets and risk parity which NEPC is recommending for inclusion in ASRS asset allocation policy. Mr. Trachtenberg asked NEPC for the rationale behind reducing public equities and increasing private equities in the context of asset class expectations and also the re-pricing occurring in the private equity market. Mr. Allan Martin said he will research and respond at the next Asset Allocation Study meeting.

Mr. Harris said he would be a supporter of inflation-linked assets.

NEPC is to return to the IC in September with final Asset Allocation policy recommendations.

6. Future Agenda Items

No future agenda items noted. Mr. Dokes stated that an interim IC meeting will take place on August 31, 2009, to cover outstanding, miscellaneous IC requested agenda items.

7. Call to the Public

No members of the public requested to speak to the IC.

The meeting adjourned at 5:35 p.m.

Respectfully submitted,

Andriana Valentino, Secretary Date

Gary R. Dokes, Chief Investment Officer Date